

**Minutes
Hurst City Council
Special Session
Saturday, August 1, 2020**

On the 1st day of August 2020, at 8:00 a.m., the City Council of the City of Hurst, Texas, convened in Special Session at City Hall, 1505 Precinct Line Road, Hurst, Texas, by telephone conference to advance the public health goal of limiting face-to-face meetings to slow the spread of the Coronavirus (COVID-19) with the following members present:

Henry Wilson	)	Mayor
Jon McKenzie	)	Mayor Pro Tem
David Booe	)	Councilmembers
Larry Kitchens)	
Cathy Thompson)	
Bill McLendon)	
Cindy Shepard)	
Clay Caruthers	)	City Manager
Rita Frick	)	City Secretary
Clayton Fulton	)	Assistant City Manager
Malaika Marion Farmer	)	Assistant City Manager
Michelle Lazo	)	Executive Director of Planning and Development
Greg Dickens	)	Executive Director of Public Works
Kyle Gordon	)	Executive Director of Community Services
Matia Messemer	)	Executive Director of Human Resources
Steve Bowden	)	Executive Director of Economic Development
David Palla	)	Fire Chief
Steve Niekamp	)	Police Chief
Sunny Patel	)	Information Technology Director
Chris Connolly	)	Hurst Conference Center Director

With the following Councilmembers absent: none, constituting a quorum, at which time, the following business was transacted:

CALL TO ORDER - The meeting was called to order at 8:00 a.m.

1. Presentation and Discussion of FY 2020-2021 Proposed Budget and consider designation of time and place for a public hearing on the proposed budget

Mayor Wilson stated that he knows that the information being presented today was not prepared lightly and that a lot of work and thought was given to the proposed budget. City Manager Caruthers reviewed the agenda discussion and action items for the meeting and provided an overview of academia of budget preparation and budget philosophy. He explained that Council and staff were moving the City and organization in a particular direction and were rudely interrupted by COVID-19. He explained line item budgeting and programmatic budgeting. He noted the City basically utilized a line item budget, but

through the budget award process, has incorporated other methods, such as performance measures, and has most recently focused on department ties to the City Council's Strategic Plan. He stated without staff understanding the Strategic Plan, they cannot connect the plan with the budget. He explained with limited resources and legislative challenges, it is necessary for every department to own their budget and make sure the dollars are aimed at the Council priorities. He reviewed the similarity of Maslow's Hierarchy of Needs compared to a pyramid of City services. He explained the challenge for departments today is to keep the entire pyramid. Mr. Caruthers explained that you want to keep the civic engagement, town hall forums and community built on connection, so you try to keep as lean as possible and that is where staff was heading then COVID hit and accelerated that challenge. Council briefly discussed line item and programmatic budgeting expressing their appreciation for staff's efforts. Mr. Caruthers stated four funds, General, 4B, Enterprise and Anti-Crime comprise 80% of the full budget and that will be the primary focus this morning. He stated Hurst Conference Center Director Chris Connolly will also provide an overview of the center. He stated due to the level of financial information, he will review the summary information and if the Council has detailed questions, the Executive Directors are available.

Mr. Caruthers reviewed the General Fund preliminary expenditure summary noting the proposed 2020-21 general fund budget of \$36,327,774, a \$1,176,748 (-3.14%) decrease from the 2019-20 adopted budgeted. He reviewed key expenditure changes and explained that originally staff had the mindset of 5% reductions + 5% reserves would be necessary due to sales tax losses. He stated sales tax losses were not as severe, even though he cautioned those times may still be in front of us. He stated through the federal stimulus, unemployment benefits and other factors remapped the extent of sales tax loss so it was not so severe. He stated the proposed budget is a 3% reduction plus 1% of savings to balance the proposed budget. Mr. Caruthers stated that \$1.2 million of the decrease is \$667,000 in personnel. He stated a key point for the public and City Council to keep in mind is that city budgets are by and large personnel driven, the city basically provides services and it very people intensive. He stated another key item is that SB2 prohibits the City from reducing compensation and benefits for public safety this year, eliminating his ability from cutting or changing plan revisions. Mr. Caruthers reviewed the frozen position policy, which was implemented immediately when stay at home orders were issued, noting they took the position to freeze the vacancy and not lay off a person. He reviewed the other key expenditure change details and staff's ability to operate accordingly. Mr. Caruthers reviewed the general fund revenue summary noting a negative \$-1,176,748 in projected revenues, the largest decrease being \$1,011,797 in sales tax revenue, and a \$1 million decrease for the intergovernmental transfer in from the 4B, Anti-crime and Enterprise Funds. In response to Councilmembers' questions, Mr. Caruthers stated they could reduce the cybersecurity program, and that due to new mandated training, staff has software with PSA's that could be utilized to help educate the public. Also discussed were various trainings and conferences that will be held virtually lowering travel costs. Councilmembers discussed not knowing what the future will hold regarding the economy. Mr. Caruthers stated staff is looking long term and are ready to cut additional areas if necessary. He explained staff will come to Council with revised items either up or down and that he appreciates Council's understanding of these uncertain times. He noted the City's financial policies require 90 days operations in reserve and noted that when you decrease the budget you can decrease that reserve, which is about a \$300,000 decrease to help offset. But, also noted was when you bring the budget back up, you have to

set more to the side to bring back up.

Assistant City Manager Clayton Fulton provided a rate and budget overview for the Enterprise Fund noting the City had their consultant do an in-depth review approximately three years ago and Council decided to maintain the current rate structure. He stated every year the City looks at the total fund performance and consumption and determines a rate increase. And, the City has always utilized a rate smoothing policy to avoid the high and low increase and decrease to the customers. He stated this year staff is proposing to go against that policy and not increase water rates. That increase usage from new apartments and weather cycles the fund performing 8% over last year. Mr. Fulton noted a \$350,000 budget reduction and wholesale calculation, which are basically flat. He reviewed other expenditure changes to the fund and noted that based on an average usage of 7,000 gallons, the average water charges in Hurst is approximately \$53 and wastewater \$43 for a total under \$100. Mr. Fulton reviewed Hurst rates compared to area cities and explained Hurst has no control of the wholesale wastewater costs from the City by Fort Worth so the BOD and TSS are just passed through to the customer. Also noted is that TRA's rates are increasing as well as Fort Worth.

City Manager Caruthers noted the Crime Fund was already covered at the last Council meeting. He stated the 4B Fund is the fourth major fund and reviewed the proposed operating budget of \$4,193,767, which is a percentage decrease of 14.52%. He reviewed recent pay-as-you go activity and noted that on the TXDOT median project Council will notice a small section of median that will be skipped on the next phase as staff works out grant funding. Mr. Caruthers pointed out the proposed budget has no fiscal year 20-21 projects in pay-as-you-go. He stated this year the General Fund budget impact is .128 cents, when in the past it was about .15 cents. Staff also noted the multi-year projects and that over 5 years will be able to maintain \$1 million balance.

Hurst Conference Center Director Chris Connolly provided an update on the Hurst Conference Center noting a 5% reduction in the budget with reductions in electricity, marketing and most capital expenses excluding the internet upgrade. He noted \$700,000 in lost events due to COVID, but that most have moved until after September 30. He reviewed current operation changes due to need for social distancing and some of the innovative events staff is implementing to help generate revenue. He stated that with all of the canceled events they are projecting a quarter million loss this year and unfortunately be in the red for the first time in years. Council noted the great job staff has done to be creative in event planning.

Mayor recessed the meeting at 9:29 a.m. and reconvened at 9:39 a.m.

City Manager Caruthers noted staff introduced the tax rate yesterday, and provided a quick overview noting each tax rate for consideration. He stated the preliminary budget proposed tax rate is .613582 and a 1.6 cent increase higher than the no new revenue rate. He stated that since the preliminary rate is above the no new revenue rate means the Council has to vote on the proposed tax rate increase and direction to publish the notice of tax rate increase. He stated it would not be necessary if Council decided to have staff lower the rate to the no new revenue rate, which would be a \$250,000 impact. He stated the current tax rate would entail a reduction of \$558,000. Mr. Caruthers reiterated that due to the Cares Act funding

and ruling on how the City may use the funds, and sales tax being a little better than expected, if Council decides on the no new revenue rate, staff can make it work. He stated you will be in somewhat of a hole starting out in next year's budget especially if values continue to fall. Mr. Caruthers stated staff is strongly recommending not going to roll back this year. He again reviewed current state law and the allowance of 3.5% growth and also the ability under an emergency to go to 8% as outlined in the proposed resolution. Mr. Caruthers read the law allowing the voter approval rate to be calculated as a special taxing district and noted that though it is written in the law, the Governor, Lt. Governor and Attorney General have stated a pandemic is not the intent of this law for disaster. Mayor Wilson reviewed pros and cons to the adoption of the proposed Resolution 1772 and suggested the Council consider the 3.5% rate and not pass Resolution 1772. Council discussed the rates, uncertain future and economic times and the impact to the citizens. Mayor Wilson also requested staff place the budget presentation on the website for the public. Staff noted the public hearing notice for the budget reflects the proposed preliminary budget. Council discussed the pros and cons spending down reserves and to minimize extra funds coming from reserve. Staff noted that if Council moves from the preliminary rate to the voter approval rate the tax increase on an average home will go from 7% to 9% and be an extra \$20 dollars a year.

Councilmember Kitchens moved to hold a Public Hearing on the proposed budget on August 12, 2020, at 6:30 p.m. at City Hall, noting the meeting may be held virtually. Councilmember Thompson seconded the motion. Motion prevailed by the following vote:

Ayes: Councilmembers Booe, Kitchens, Thompson, McLendon, McKenzie and Shepard
No: None

2. Consider Resolution 1772 directing the City of Hurst designated officer to calculate the voter-approval tax rate in the manner provided for a special taxing unit pursuant to Sections 26.04(c-1), Texas Tax Code

Councilmember Kitchens moved to deny Resolution 1772. Motion seconded by Councilmember Booe. Motion prevailed by the following vote:

Ayes: Councilmembers Booe, Kitchens, Thompson, McLendon, McKenzie and Shepard
No: None

3. Consider vote on the proposed tax increase for Fiscal Year 2020-2021

Councilmember Kitchens moved that the City Council vote to place a proposal to adopt a tax rate of \$0.625159 per \$100 valuation on the agenda of the August 12, 2020 special meeting, and also call for a public hearing on the notice of tax increase on August 12, 2020. Motion seconded by Councilmember Thompson. Motion prevailed by the following vote:

Ayes: Councilmembers Booe, Kitchens, Thompson, McLendon, McKenzie and Shepard
No: None

4. Consider ordering the publication of the no-new-revenue and voter-approval tax rates,

including a proposed tax rate, to be published on August 7, 2020, in the "Fort Worth Star-Telegram" to comply with truth-in-taxation laws

City Manager Caruthers noted this item is to consider ordering the publication of the no-new-revenue and voter-approval tax rates, including a proposed tax rate, to be published on August 7, 2020.

Councilmember McKenzie moved that the no-new-revenue, voter-approval, and proposed tax rates, which includes the I&S rate of \$0.120973, be published on August 7, 2020 in the "Fort Worth Star-Telegram" to comply with truth-in-taxation laws. Motion seconded by Councilmember Thompson. City Manager Caruthers reiterated that based on the 3.5%, the numbers will change based on Council's decision. Motion prevailed by the following vote:

Ayes: Councilmembers Booe, Kitchens, Thompson, McLendon, McKenzie and Shepard

No: None

City Manager Caruthers stated that part of the budget journey and pragmatic way of thinking is not only the program but the fees assessed for the programs. He stated that as noted the only fee increase in the proposed budget was Tennis Center. He stated that Executive Director of Community Services will bring Council up-to-date on the consultant hired to look at community services fees and programs and then Assistant City Manager Fulton will provide a few other areas staff will bring to Council for consideration. Mr. Gordon provided a detailed overview on the cost recovery project and fee adjustments reviewing the pyramid methodology philosophy and Model levels and filters. He reviewed the table top exercise and that participants developed a consensus for each service category looking at the true benefit of the service. Mr. Gordon noted the extensive time to complete the determination of cost recovery and explained the levels of community benefit and the spread from no recovery/full subsidy to revenue positive/enterprise fees. He reviewed various program changes for future Council discussion including the Tennis Center, Adult Softball, Recreation, Senior Center, Aquatics and Youth Athletics contract changes. City Manager Caruthers noted the detailed information provided by Kyle allows the Council to see the detail the executive team is using to look at service levels. He stated that government is different in that typically the service provided is for the public good and people understand the general tax dollars provide for government good. He stated over the years leagues have morphed into more of a private mentality and while the City has maintained a \$7-dollar fee, leagues have changed the landscape into an 18-billion-dollar industry. He stated the fields are better, lighting is better, stands, restrooms, etc. added and fees have not been adjusted. He stated staff will continue to work with the leagues, but will bring back changes with the understanding the City has to recover an acceptable amount of our costs. He explained the 4B Fund is where the City is subsidizing these programs and through a \$1 million dollar loss, the discussion will need to be accelerated. Assistant City Manager Fulton also noted other options for future Council discussion regarding credit card convenience fees, utility billing service based fees, CPI Options with Republic and the Storm Drainage Utility fees has not been adjusted since 2009. He also noted that some cities in Texas have a street maintenance fee, but none in the current area. Mayor Wilson commented on the enormous amount of work staff and Council put in on today's discussions.

5. Informational Items – Items of community interest and review of City Council calendar of meetings – Mayor Wilson noted that from yesterday's discussions he believes there is a much simpler way to address the issue and that if Council has no objections staff will allow the Farmers Market on Karla to continue every Saturday until Council can address this issue.


ADJOURNMENT – The meeting was adjourned at 11:03 a.m.

APPROVED this the 11th day of August 2020.

ATTEST:


Rita Frick, City Secretary

APPROVED:


Henry Wilson, Mayor